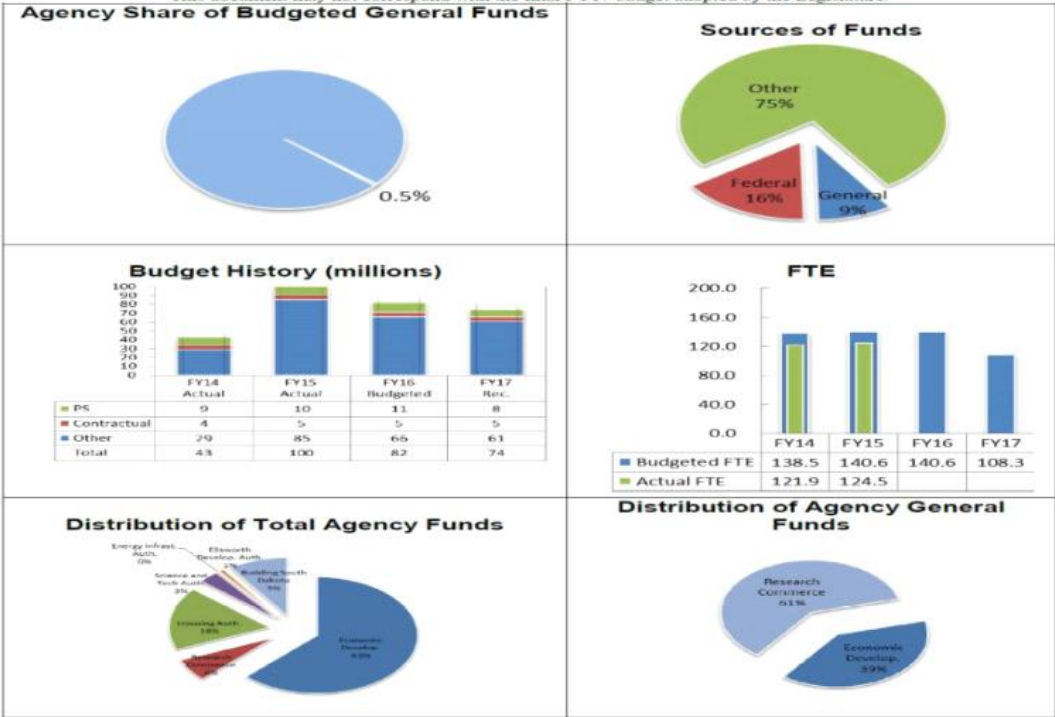


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Wednesday, January 13, 2016
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FY17 Budget Briefing
Governor's Office of Economic Development

Information contained in this document is based on the Governor's original recommended FY17 budget.
This document may not correspond with the final FY17 budget adopted by the Legislature.



Key Personnel

- Pat Costello, Commissioner
- Mike Headley, Executive Director
Science and Tech. Authority
- Scott Landguth, Executive Director
Ellsworth Development Authority
- Travis Dovre, Finance Officer
- Mark Lauseng, Executive Director
Housing Development Authority.

Department Total

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	7,109,752	7,579,894	8,319,079	6,020,966	6,020,966	(2,298,113)	(27.6%)
Employee Benefits	2,176,396	2,244,279	2,559,449	2,056,825	2,056,825	(502,624)	(19.6%)
FTE	121.9	124.5	140.6	108.3	108.3	(32.3)	(23.0%)
Funding Types							
General	1,770,223	1,823,036	1,890,482	1,890,482	1,890,482	0	0.0%
Federal	1,586,881	1,390,908	2,025,439	2,025,439	2,025,439	0	0.0%
Other	5,929,044	6,610,229	6,962,607	4,161,870	4,161,870	(2,800,737)	(40.2%)
Total PS	9,286,148	9,824,173	10,878,528	8,077,791	8,077,791	(2,800,737)	(25.7%)
Operating Expenses							
Travel	553,367	762,080	895,410	900,509	900,509	5,099	0.6%
Contractual Services	4,421,233	5,449,816	5,233,354	5,131,255	5,131,255	(102,099)	(2.0%)
Supplies & Materials	1,938,108	2,822,606	4,203,334	4,515,669	4,515,669	312,335	7.4%
Grants And Subsidies	20,679,265	65,925,823	55,115,425	55,365,425	53,129,804	(1,985,621)	(3.6%)
Capital Outlay	5,810,289	13,320,484	5,702,827	2,252,827	2,252,827	(3,450,000)	(60.5%)
Other	143,767	2,263,856	0	0	0	0	0.0%
Funding Types							
General	4,537,261	4,540,107	4,564,979	4,814,979	4,814,979	250,000	5.5%
Federal	4,767,968	8,226,971	11,840,241	11,840,241	9,604,620	(2,235,621)	(18.9%)
Other	24,240,800	77,777,588	54,745,130	51,510,465	51,510,465	(3,234,665)	(5.9%)
Total OE	33,546,029	90,544,665	71,150,350	68,165,685	65,930,064	(5,220,286)	(7.3%)
Totals							
Funding Types							
General	6,307,484	6,363,143	6,455,461	6,705,461	6,705,461	250,000	3.9%
Federal	6,354,849	9,617,879	13,865,680	13,865,680	11,630,059	(2,235,621)	(16.1%)
Other	30,169,844	84,387,817	61,707,737	55,672,335	55,672,335	(6,035,402)	(9.8%)
Total	42,832,177	100,368,838	82,028,878	76,243,476	74,007,855	(8,021,023)	(9.8%)

Major Expansions and Reductions

Budget Item	Governor's Recommendation				FTE
	General Funds	Federal Funds	Other Funds	Total Funds	
GOED				-	
Reduction in federal authority		(2,235,621)		(2,235,621)	
Office of Research Commerce				-	
Proof of Concept	250,000			250,000	
Housing Development Authority				-	
Authority needed due to Gov's Homes			696,794	696,794	
Science and Tech. Authority					
Ross Shaft Rehabilitation			(6,749,436)	(6,749,436)	(32.3)
Ellsworth Development Authority					
Increased authority for contractual svcs/supplies/materials			17,240	17,240	
Total	250,000	(2,235,621)	(6,035,402)	(8,021,023)	(32.3)

- ✓ See Budget Notes regarding these Expansions and Reductions on the following pages under the various programs.

GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

The mission of the Governor's Office of Economic Development is to work together with businesses, government organizations, educational institutions, and individual citizens to maximize and leverage public-private sector partnerships to generate new ideas, to develop new businesses, to strengthen existing businesses, and to encourage additional investment in South Dakota to improve the quality of life for all South Dakotans.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	1,793,226	1,870,349	2,252,791	2,252,791	2,252,791	0	0.0%
Employee Benefits	566,532	552,325	641,132	641,132	641,132	0	0.0%
FTE	34.1	33.5	40.6	40.6	40.6	0.0	0.0%
Funding Types							
General	1,598,868	1,649,175	1,710,016	1,710,016	1,710,016	0	0.0%
Federal	282,797	281,260	540,305	540,305	540,305	0	0.0%
Other	478,094	492,239	643,602	643,602	643,602	0	0.0%
Total PS	2,359,759	2,422,674	2,893,923	2,893,923	2,893,923	0	0.0%
Operating Expenses							
Travel	267,227	342,625	333,096	333,096	333,096	0	0.0%
Contractual Services	1,547,091	1,853,637	1,227,806	1,227,806	1,227,806	0	0.0%
Supplies & Materials	67,323	69,886	79,000	79,000	79,000	0	0.0%
Grants And Subsidies	15,950,260	59,015,235	43,942,474	43,942,474	41,706,853	(2,235,621)	(5.1%)
Capital Outlay	4,919	13,595	5,000	5,000	5,000	0	0.0%
Other	143,767	2,263,856	0	0	0	0	0.0%
Funding Types							
General	847,593	850,439	875,311	875,311	875,311	0	0.0%
Federal	4,195,840	5,013,699	11,160,933	11,160,933	8,925,312	(2,235,621)	(20.0%)
Other	12,937,153	57,694,697	33,551,132	33,551,132	33,551,132	0	0.0%
Total OE	17,960,586	63,558,834	45,587,376	45,587,376	43,351,755	(2,235,621)	(4.9%)
Totals							
Funding Types							
General	2,446,461	2,499,614	2,585,327	2,585,327	2,585,327	0	0.0%
Federal	4,478,637	5,294,959	11,701,238	11,701,238	9,465,617	(2,235,621)	(19.1%)
Other	13,415,247	58,186,935	34,194,734	34,194,734	34,194,734	0	0.0%
Total	20,340,345	65,981,508	48,481,299	48,481,299	46,245,678	(2,235,621)	(4.6%)

Budget Notes

There is a decrease in federal fund authority of **(\$2,235,621)** to align the grants and subsidies budget with anticipated utilization.

DIVISION OF RESEARCH COMMERCE

The mission of the Division of Research Commerce is to increase research, development and commercialization for the betterment of South Dakota; provide staff support for the Research and Commercialization Council and coordinate implementation and evaluation of the Council's investments in the state's research and commercialization infrastructure; manage state, federal, (including EPSCoR), and private funds entrusted to this office for the purpose of promoting the development of the state's research infrastructure and knowledge-based economic development through commercialization of innovations, business start-ups, business expansion and attraction of new knowledge-based businesses; and work with private sector partners and organizations to leverage state and federal investments in the South Dakota research and commercialization infrastructure.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	134,160	137,641	143,492	143,492	143,492	0	0.0%
Employee Benefits	37,195	36,220	36,974	36,974	36,974	0	0.0%
FTE	2.0	2.0	2.0	2.0	2.0	0.0	0.0%
Funding Types							
General	171,355	173,861	180,466	180,466	180,466	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0	0.0%
Total PS	171,355	173,861	180,466	180,466	180,466	0	0.0%
Operating Expenses							
Travel	8,098	8,072	7,070	7,070	7,070	0	0.0%
Contractual Services	7,352	6,392	8,137	8,137	8,137	0	0.0%
Supplies & Materials	963	2,253	1,510	1,510	1,510	0	0.0%
Grants And Subsidies	3,741,951	3,939,033	4,172,951	4,422,951	4,422,951	250,000	6.0%
Capital Outlay	303		0	0	0	0	0.0%
Funding Types							
General	3,689,668	3,689,668	3,689,668	3,939,668	3,939,668	250,000	6.8%
Federal	0	0	0	0	0	0	0.0%
Other	69,000	266,082	500,000	500,000	500,000	0	0.0%
Total OE	3,758,668	3,955,750	4,189,668	4,439,668	4,439,668	250,000	6.0%
Totals							
Funding Types							
General	3,861,023	3,863,529	3,870,134	4,120,134	4,120,134	250,000	6.5%
Federal	0	0	0	0	0	0	0.0%
Other	69,000	266,082	500,000	500,000	500,000	0	0.0%
Total	3,930,023	4,129,611	4,370,134	4,620,134	4,620,134	250,000	5.7%

Proof of Concept Program

\$250,000 FY 2017 Request

Background

- Provides very early stage capital to entrepreneurs, start-up businesses and universities
- Started in 2013 with \$111,000 Small Business Administration FAST grant
- FY 2014 \$500,000 one-time appropriation
- FY 2016 \$200,000 Future Fund award
- Applications receive a technical and business review
- Project approved and funds dispersed as a grant
- If successful, grant converts to a one-year loan reviewed annually for extension (five year maximum)
- If unsuccessful, grant is forgiven

Program Activities (2013-2015)

- 63 Applications
- 41 Projects awarded (\$862,016)
- 40 Projects went forward (\$806,559)
- 3 loans repaid (\$48,446)
- 1 award forgiven (\$11,554)
- 27 repayment agreements (\$397,643)

Program Results

- Last three Governor's Giant Vision Business Plan Winners
- 2015 Student Giant Vision Business Plan Winner
- \$10 million in equity funding raised by POC companies
- More than \$4 million in federal R&D funding
- 4 companies beginning commercial manufacturing/processing operations

BUILDING SOUTH DAKOTA PROGRAM

The Building South Dakota (BSD) fund was created during the 2013 Session (SB235) for the purpose of building and reinvesting in South Dakota's economy and to create high quality jobs. The Contractors' excise tax on facilities with project costs exceeding \$20M dollars are deposited into this fund. Money from this fund is disbursed for the following purposes: (1) 25% transferred to the local infrastructure improvement grant fund; (2) 15% transferred to the economic development partnership fund; (3) 30% transferred to the workforce education fund; (4) 25% transferred to the South Dakota housing opportunity fund and (5) 5% transferred to the revolving economic development and initiative (REDI) fund for the purpose of making grants to projects that have a total project cost of less than \$20M dollars. Each department administering the funds shall report annually to the Government Operations and Audit Committee about the operations and results of the BSD Fund. Included under the Building South Dakota Program are the following informational budgets: REDI Grants, Local Infrastructure Improvement, Economic Development Partnership and SD Housing Opportunity. The Workforce Education Fund is under the Department of Education. Originally SB235 called for a portion of the unclaimed property deposited in the general fund to be transferred to this fund. However, during the 2014 Session, SB158 repealed the unclaimed property transfer into the BSD Fund (see SB158 for more information). During the 2014 Session, SB157 passed and \$30M in general funds was appropriated to provide a \$10M transfer each year to the BSD Fund for FY15, FY16, and FY17, removing the need for ongoing funding for these years.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Operating Expenses							
Grants And Subsidies	424,480	2,971,555	7,000,000	7,000,000	7,000,000	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	424,480	2,971,555	7,000,000	7,000,000	7,000,000	0	0.0%
Total OE	424,480	2,971,555	7,000,000	7,000,000	7,000,000	0	0.0%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	424,480	2,971,555	7,000,000	7,000,000	7,000,000	0	0.0%
Total	424,480	2,971,555	7,000,000	7,000,000	7,000,000	0	0.0%

Budget Notes

There were no recommended increase/decreases in the Building South Dakota fund.

SD ENERGY INFRASTRUCTURE AUTHORITY

The South Dakota Energy Infrastructure Authority is created to diversify and expand the state's economy by developing in this state the energy production facilities and the energy transmission facilities necessary to produce and transport energy to markets within the state and outside of the state.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	0	0	22,701	22,701	22,701	0	0.0%
Employee Benefits	0	0	5,182	5,182	5,182	0	0.0%
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	27,883	27,883	27,883	0	0.0%
Total PS	0	0	27,883	27,883	27,883	0	0.0%
Operating Expenses							
Travel	0	0	13,999	13,999	13,999	0	0.0%
Contractual Services	0	0	16,407	16,407	16,407	0	0.0%
Supplies & Materials	0	0	1,200	1,200	1,200	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	31,606	31,606	31,606	0	0.0%
Total OE	0	0	31,606	31,606	31,606	0	0.0%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	59,489	59,489	59,489	0	0.0%
Total	0	0	59,489	59,489	59,489	0	0.0%

Budget Notes

There were no recommended increases or decreases.